UNITED NATIONS

DP

Governing Council of the United Nations Development Programme

Distr.
GENERAL

DP/1991/62
22 May 1991

ORIGINAL: ENGLISH

Thirty-eighth session
3-21 June 1991, New York
Item 10 (b) of the provisional agenda

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

BUDGET ESTIMATES FOR THE BIENNIUM 1992-1993

Revised budget estimates for the biennium 1990-1991 and budget estimates for the biennium 1992-1993

Report of the Advisory Committee on Administrative and Budgetary Questions

1. In accordance with regulation 9.5 of the Financial Regulations of UNDP, the Advisory Committee on Administrative and Budgetary Questions has considered revised budget estimates for 1990-1991 and budget estimates for 1992-1993, as contained in document DP/1991/49, volumes I and II. In accordance with Financial Regulation 5.1, the Committee has also considered a report on trust funds established by the Administrator in 1990, which, for the first time, has been incorporated in the Administrator's Annual Review of the Financial Situation, 1990 (DP/1991/47). The Committee also had before it a report on the Senior Management Structure of UNDP (DP/1991/50), a summary of that study (DP/1991/50/Add.1), and the Administrator's comments thereon (DP/1991/51). During its consideration of these items, the Advisory Committee met with the Administrator, the Associate Administrator and other senior officials of the Programme.

2. The documentation before the Advisory Committee and the Governing Council is voluminous and complex; in the case of the budget documents the complexity relates, in part, to a number of conceptual changes proposed by the Administrator. The Advisory Committee also notes that the presentation of the information, including the many cross references to other sections, tends, in some instances, to be confusing. The Committee discussed this with the Administrator and his colleagues and trusts that a simpler and more cohesive submission will be forthcoming in the future.

3. An in-depth study of the issues and recommendations contained in the management study and in the comments of the Administrator could not be carried out by the Advisory Committee because of the late submission of the documents to the Advisory Committee. Furthermore, the comments of the Administrator should have been organized in such a way as to permit an easy comparison between each of the consultants' recommendations and the Administrator's views thereon. In addition, the administrative and financial implications of the organizational changes accepted by the Administrator are not clearly reflected in his comments. The Committee believes that a clearer presentation would facilitate discussion in the Governing Council. In the circumstances, the Committee has limited itself to some general observations.

Senior Management Study of UNDP (DP/1991/50 and Add.1, DP/1991/51)

4. The Advisory Committee recalls that the Governing Council, in its decision 90/45, requested the Administrator to include a number of elements in the terms of reference for the external consulting firm, including the need for a detailed analysis of fundamental issues related to the senior management structure with options and alternatives, bearing in mind the legislative mandates contained in relevant resolutions of the General Assembly, the issues raised by the Advisory Committee on Administrative and Budgetary Questions and comments made by delegations at the thirty-seventh session of the Governing Council.

5. In this connection, the Advisory Committee recalls its report DP/1989/56 in which it pointed out that "the growth and programmes of an organization should relate to a 'blueprint' or plan. In the opinion of the Advisory Committee, the direction and essential purpose of UNDP have become less clear. Changes in the activities and methods of operation of UNDP have, over the years, been instituted to meet specific goals and have resulted in an organization which has grown incrementally rather than in an overall coordinated plan." (para. 7)

6. Similarly, in the report, the consultants speak of the "lack of a vision or grand strategy for UNDP". In this connection, the consultants note that while a number of organizational issues "can be addressed ... without the precondition of a UNDP strategy ..., many of the crucial organizational issues, however, cannot be resolved without an explicit UNDP strategy". Because UNDP lacks such a strategy, "most of the grand questions of UNDP (e.g. national execution, thought leadership, regional specialization, the role of OPS and funds and the general relations between core and non-core financing) have not been answered". The consultants also note that some of these "grand questions" can only be solved in an overall United Nations context. According to the consultants, "a new 'capacity study' might make sense to provide UNDP with direction and to answer the 'grand questions' concerning the future of UNDP and indeed, the United Nations system".

7. That being said, the consultants offer various alternative "grand strategies", noting that "only if such a long-term vision is developed will UNDP flourish and grow ...". They then proceed to address organizational

issues which, in their opinion are not dependent on a grand strategy, i.e. where "basic issues of organizational quality can be used to enhance UNDP's policy and administrative procedures". Notwithstanding the latter assertion, the Advisory Committee believes that until the vision/blueprint issue is addressed and resolved, the implementation of a host of structural changes should be viewed with caution, even if, as is the opinion of the Administrator, they carry little financial implications. Will a restructuring of the management, at this point, impact positively on programme delivery? The Advisory Committee, on the basis of the information before it, has yet to be convinced of this.

8. The Advisory Committee does not, however, suggest that the report be dismissed. Given the documentation itself, the lack of definitive, concise and transparent proposals by the Administrator vis-à-vis the recommendations of the consultants, and the time available, the report deserves a more total and thorough analysis of both the alternative grand solutions and the specific structural changes recommended in the report than may be possible at this session of the Governing Council.

9. In this connection, the Committee notes in particular the Administrator's endorsement of the proposals for the Regional Bureau and Division Managers. At the same time, he notes that "there is considerable difficulty in detailing precise costs for these at a stage when much work remains to be done on the Integrated Administrative Systems project and the programme area functions analysis. The Administrator intends, therefore, to present to the Governing Council at its special session in February 1992 the details relating to the upgrading of the posts required for the full implementation of the Division Manager proposals and other areas of change outlined in these comments" (DP/1991/51, para. 81). In this connection, the Administrator informed the Advisory Committee that the implementation of this proposal would be achieved through a combination of the redeployment of posts and the upgrading of division chief posts at the D-1 level.

10. Notwithstanding the above, the Advisory Committee believes that the creation of these posts, through whatever means, requires the explicit prior approval of the Governing Council. Accordingly, the Administrator should, in the information he submits to the Governing Council (see paras. 9 above and 11 below) include a full analysis and justification for his proposals in this regard.

11. That being the case, the Governing Council should not take a decision on this matter at this time. Nor, in the opinion of the Advisory Committee is there need for the Council to act at this time on the other recommendations accepted by the Administrator. Rather, such decisions should be deferred until the special session of the Governing Council in February 1992. The Committee recommends that the Administrator provide the Council with a detailed and clear report outlining all recommendations accepted by him and their impact on the organization, financial and otherwise. That report could be taken up by the Advisory Committee at its fall 1991 session.

12. The Advisory Committee notes from reading both the management consultant report and the Administrator's budget proposals that a number of recommendations made by the consultants correspond to new initiatives which the Administrator had taken already. The Committee does not dispute this but it cautions that other changes discussed by the consultants should not be implemented pending a decision on the matter by the Governing Council.

13. As noted above, the consultants were requested to bear in mind legislative mandates contained in relevant General Assembly resolutions as well as issues raised by the Advisory Committee. However, in many cases it is not clear to the Advisory Committee the extent to which these have been considered. For example, recommendation 15 of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations inter alia stated that

> "The number of regular budget posts at the level of Under-Secretary-General and Assistant Secretary-General should be reduced by 25 per cent within a period of three years or less, with a comparable reduction in posts at those levels funded from extrabudgetary sources."

The above was approved by the General Assembly in resolution 41/213; however, the consultants do not address it. The Committee would have expected a thorough discussion of this point. Another example is that raised by the Advisory Committee concerning the role of OPS, and the need for coordination and consultation with executing agencies and Governments. While the consultants question what the overall role of OPS should be, they state that the overall functions and shape of OPS could only be solved in the context of a new capacity study of the United Nations system. That being the case, the report stops short of a more thorough analysis of this issue.

14. The Advisory Committee also notes that in their report, the consultants discuss the institutional location of the unit for TCDC and make recommendations in this regard in both the start-up structure and the target organization. With regard to the Administrator's request for guidance on this matter (DP/1991/51, para. 29) the Governing Council may wish to bear in mind its decision 90/34.

15. On a point of detail, the Advisory Committee notes the consultants' view from paragraph 6.1.1 of the management report that the official post list understated the actual manpower at headquarters by approximately 20 per cent. However, as also pointed out by the consultants in footnote 27 of their report, "there is a significant difference between budgeted post list and staff list figures. Actual staff is about 25 per cent higher than the number of posts. This is explained by extrabudgetary posts and project-funded posts."

Revised budget estimates for 1990-1991 (DP/1991/49)

16. As shown in table IV.1, the Administrator's revised budget estimates for 1990-1991 for UNDP as a whole amount to $534,729,500 as compared with initial and revised appropriations of $507,484,200 and $522,267,100 respectively. In this connection, the Advisory Committee notes that the amounts shown by the Administrator in table IV.1 for the inital and revised 1990-1991 estimates ($507,484,200 and $522,267,100 respectively) differ from the amounts actually appropriated in Governing Council decisions 89/59 and 90/45 respectively. The difference in each figure relates to the Administrator's proposal to revise the structure of the appropriation decision and the implications of this proposal on, in particular, the presentation of the OPS budget under the PSDA appropriation line. (See para. 18 below.)

17. The current appropriation structure is shown in table III.1 where gross appropriations are in turn netted by estimated income. However, in paragraph 38, the Administrator points out that this structure:

> "indicates an inconsistent treatment of income. In the case of field offices, income represents essentially government local office cost contributions. In the case of OPS, income represents extrabudgetary income from outside the general resources of UNDP, namely income deriving from multilateral co-operation arrangements, trust funds and management services. In the case of UNSO, income reflects in part a transfer of resources from the core budget ... and partly a contribution from UNEP."

18. The Administrator proposes to correct this inconsistency by amending the appropriation in the manner shown in table IV.2 and by providing a supplementary table (reproduced below) showing both the appropriation estimates and extrabudgetary income from external sources. As shown in the appropriation estimates (column 1 of table 1 (a) below), both gross and net appropriations are given in the case of the core budget, the net reflecting the application of income from host Government contributions in cash. The amount to be appropriated for OPS under Programme Support and Development Activities (PSDA) is a net amount and does not include, as in previous appropriation tables, income from external sources since that income (currently estimated at $21,640,000 for 1990-1991), unlike income from host government contributions in cash, does not reduce the amount to be appropriated from the general resources of UNDP. The exclusion of the corresponding extrabudgetary income previously included in the gross appropriations for OPS in both the initial and revised 1990-1991 appropriations accounts for the adjustment discussed in paragraph 16 above and permits a meaningful comparison of the appropriations and the current estimates.

Table 1 (a). UNDP 1990-1991 biennial budget showing estimated extrabudgetary income from external sources

(Thousands of United States dollars)

	1 Appropriation estimates	2 Estimated extrabudgetary income	3 Total gross/net estimates
I. RESOURCES OF UNDP			
A. UNDP core activities			
Headquarters a/	152 705.4	14 472.2	167 177.6
Field offices	288 763.1	25 746.3	314 509.4
Gross UNDP core activities	441 468.5	40 218.5	481 687.0
Estimated income b/	30 940.0	0.0	30 940.0
Net UNDP core activities	410 528.5	40 218.5	450 747.0
B. Programme support and development activities			
Programme development activities	353.2	0.0	353.2
Project/programme implementation services			
DSS	5 000.0	0.0	5 000.0
OPS	26 482.8	21 641.0	48 123.8
IAPSO	4 796.6	2 035.5	6 832.1
UNV	27 723.8	0.0	27 723.8
National execution	2 461.4	0.0	2 461.4
Total project/programme implementation services	66 464.6	23 676.5	90 141.1
Total programme support and development activities	66 817.8	23 676.5	90 494.3
C. Total resources of UNDP			
Gross resources	508 286.3	63 895.0	572 181.3
Estimated income b/	30 940.0	0.0	30 940.0
Net UNDP resources	477 346.3	63 895.0	541 241.3

/...

Table 1 (a) (continued)

	1 Appropriation estimates	2 Estimated extrabudgetary income	3 Total gross/net estimates
II. RESOURCES OF TRUST FUNDS			
A. UNCDF	9 839.9	0.0	9 839.9
B. UNRFNRE and UNFSTD	5 708.5	288.9	5 997.4
C. UNSO	6 701.4	2 401.0	9 102.4
D. UNIFEM	4 193.4	128.9	4 322.3
Total resources of trust funds	26 443.2	2 818.8	29 262.0
III. TOTAL UNDP APPROPRIATIONS			
Gross appropriations	534 729.5	66 713.8	601 443.3
Estimated income b/	30 940.0	0.0	30 940.0
Net UNDP appropriations	503 789.5	66 713.8	570 503.3

a/ Headquarters extrabudgetary income represents income from external sources, exclusive of reimbursements to UNDP-core from non-core units. The reimbursements are already included in the appropriation estimates of the non-core units.

b/ Includes estimated income of $30.6 million for host Government contributions in cash.

19. The Advisory Committee has no objection to the revised appropriation structure but it believes that the information contained in table 1 (a) is essential to providing the full picture of total resources available to all units, particularly vis-à-vis OPS which hitherto has been treated in a different manner. In the opinion of the Advisory Committee, table 1 (a) should be attached to the appropriation decision, wherein the Governing Council would appropriate the amount shown in column 1 and take note of the estimated extrabudgetary income in the amount shown in column 2.

20. The totals mentioned in paragraph 2 above cover the UNDP core budget, Programme support activities (to be renamed Programme support and development activities (see paras. 33-39 below)), and resources of trust funds. The following table shows the amounts allocated to these categories in the adjusted initial and revised appropriations for 1990-1991 as well as the amounts currently proposed by the Administrator:

Source of funds	1990-1991 original appropriations (dec. 89/59) (adjusted)	1990-1991 appropriations (dec. 90/45) (adjusted)	Revised 1990-1991 estimates (DP/1991/49)
	(In thousands of United States dollars)		
A. UNDP core activities	426 438.4	434 304.6	441 468.5
B. Programme support and development activities	54 472.4 a/	61 790.3 b/	66 817.8 c/
C. Resources of trust funds	26 573.4	26 172.2	26 443.2
TOTAL	507 484.2	522 267.1	534 729.5

a/ Excludes $19,174,000 in estimated extrabudgetary income to OPS from trust funds and management service agreements.

b/ Excludes $19,959,000 in estimated extrabudgetary income to OPS from trust funds and management service agreements.

c/ Excludes $23,676,500 in extrabudgetary income ($21,641,000 to OPS from trust funds and management service agreements, and $2,035,500 to IAPSO).

21. The Advisory Committee notes from table IV.1 of the Administrator's report that the proposed increase of $12.5 million over the adjusted revised appropriations approved for UNDP as a whole in decision 90/45 is attributable to the following elements:

	Thousands of dollars
Currency	(873.6)
Inflation	4 636.4
Cost adjustments	7 146.2
Volume increase	1 553.4
TOTAL	12 462.4

22. As shown above, the largest element in the overall proposed increase is attributable to $7.1 million under "various cost adjustments"; of that amount, $5.6 million, relates to the core budget. As discussed by the Administrator in paragraph 84 of his report, this increase incorporates a number of elements, including those related to recommendations of the ICSC approved by the General Assembly vis-à-vis the hardship and mobility component of Professional staff, education grant and rental subsidy. It also includes an amount of $0.9 million which has been included for termination indemnity and which relates "to the proposed staff reductions included in the 1992-1993 core headquarters budget" (see paras. 43-47 below). Although the reduction will be achieved, in large part through attrition, turn-over, reassignments and a recruitment freeze on headquarters General Service staff, the Administrator "requires additional funds in the 1990-1991 budget in order to negotiate termination agreements" (para. 84).

23. As shown in table IV.1 of DP/1991/49, the volume increase of $1.5 million relates in its entirety to components of the Programme support and development activities section of the budget, namely OPS ($649,000) and UNV ($904,400). The volume increase of $649,000 for OPS relates to that part of the OPS budget financed from support cost earnings charged to UNDP general resources as opposed to the "extrabudgetary" portion representing income generated from trust funds and management service agreements. The Committee notes from volume II that a volume increase of $1,206,800 has been reported vis-à-vis the 1990-1991 extrabudgetary portion of the budget. This relates to the Administrator's revised appropriation structure as discussed in paragraphs 17-19 above. In this connection, the Administrator states in paragraph 42 that "transparency dictates that the Governing Council should be able to differentiate between those resources funded from their voluntary contributions to UNDP and those funded from multilateral co-operation arrangements, trust funds and bilateral contributions. Accordingly, in volume II, two tables are provided, one relating to OPS budgetary resources and the other to OPS extrabudgetary resources."

24. The Advisory Committee has no objection to this approach; however, it believes that care must be taken to reflect, not only in volume II, but also

in the text of volume I, an indication of the overall resources available to OPS. This would be addressed to some extent by the inclusion of table 1 (a) as the appropriation table (see para. 19 above); however, the Committee also recommends that specific mention be made in the text of volume I, particularly since most of the tables in volume I show only the budgetary side of OPS.

25. As seen in table 3-IIB.2a of volume II of DP/1991/49, the volume increase of $649,000 for OPS with regard to its budgetary resources relates, for the most part to established posts and common staff costs. The Committee notes from paragraph 78 of volume I of DP/1991/49 that this is attributable to six new posts (three Professional and three General Service) which the Administrator has approved in conformity with the authority granted to him in Governing Council decision 82/31.

26. By the same authority the Administrator has approved five new extrabudgetary posts. Those posts and related common staff costs account for $259,000 of the $1.2 million volume growth shown in table 3-IIB.2b of volume II under the extrabudgetary resources budget of OPS. The balance of the volume growth relates to a variety of objects of expenditure, the most notable being subcontracts ($600,000) and rental and maintenance of premises ($148,200). With regard to the latter, the Administrator notes in volume II that the volume growth represents "the estimated costs to rent office space needed to accommodate the additional staff. The offices are in the same building and, following some alterations, will be integrated in the same premises OPS currently occupies."

27. As discussed in volume II of DP/1991/49, the volume increase of $600,000 under subcontracts relates to services, primarily those in the data entry, payments and information areas which will, effective 1991, be performed by individuals from employment agencies, according to the needs of OPS. The Administrator adds that "compared to the costs of establishing regular posts, this is an efficient and cost-effective way to meet some of the needs of OPS".

28. The revised 1990-1991 estimates for UNV, discussed in paragraphs 81-82 of volume I of DP/1991/49, include, as mentioned above, a volume increase of $904,400. In this connection, the Administrator recalls that the UNV budget includes, in addition to its core and field budget, a supplementary budget for UNV headquarters, funded by means of annual supplement to the core budget of $3,700 per serving volunteer in excess of 1,000 on 31 December of the previous year. The number of serving volunteers as of 31 December 1990 totalled 2,045, an increase of 244 over the number of 1,801 serving as of 31 December 1989. As indicated in paragraph 82, this yields an addition to the supplementary budget of $902,800 (244 x $3,700); the Administrator has established seven new posts (three Professional and four General Service), bringing the total UNV staffing in Geneva to 35 Professional and 59 General Service posts.

29. The Committee notes from table 3-IIB.4 of volume II that the above-mentioned seven new posts and related common staff costs account for $646,800 of the volume growth; the balance relates to a variety of objects of expenditure, including $95,000 for the rental and maintenance of premises and $40,000 for communications.

/...

1992-1993 budget estimates

30. The Administrator discusses the budgetary strategy underlying the 1992-1993 estimates in paragraphs 9-21 of DP/1991/49. As noted in paragraph 11, the strategy relates to a number of premises including the need to reduce volume in view of the overall resource situation of UNDP. In this connection, the Administrator states in paragraph 10 that "while the programme delivery is expected to be essentially stagnant, the budget will continue to expand as cost growth continues". Consequently, "the overall resource situation requires a volume reduction in the headquarters budget" (para. 11). The Advisory Committee's observations regarding this reduction are contained in paragraph 45 below.

31. As indicated in paragraph 11, the budget proposals also recognize that the Governing Council will be considering the management consultants' report on the senior management structure and the Administrator's comments thereon (DP/1991/50 and DP/1991/51), and that "further budgetary adjustments may be required on the basis of decisions to be taken by the Governing Council in this regard". Accordingly, the budget proposals include only "those elements of the report which correspond with the Administrator's own initiatives and which were well underway ... before the study" (para. 19).

32. Finally, the proposed budget reflects presentational changes which, in the Administrator's view respond to concerns regarding the delineation of programme, programme support and administrative expenditure and the need to take into account the Governing Council's decision regarding the development of thematic priorities.

33. As mentioned in paragraph 20 above, the total resources appropriated under the UNDP biennial budget relate to three categories: UNDP core activities, Programme support activities and the resources of trust funds, the first two of which are funded from UNDP General Resources. The Administrator's 1992-1993 budget estimates reflect his proposal to change the Programe support activities (PSA) appropriation line to the Programme support and development activities (PSDA) line and, to include thereunder, a new element relating to thematic and development activities at a programme level. The PSDA would comprise three major components: programme development activities, project/programme implementation, and programme support. In this connection, the Administrator emphasizes in paragraph 15 that his proposal "does not constitute a request for an increase in the total resources currently made available for these activities", but rather to consolidate their funding under a single appropriation line.

34. The Administrator discusses his proposal at some length in paragraphs 43-60 of DP/1991/49. As noted in paragraph 49, the current appropriation structure does not differentiate between operational and administrative support and programme level developmental activities, i.e. programme development activities in some instances are charged to the core budget, while others have been implemented in the form of projects and financed variously from SPR and global resources. Furthermore, the current programme support activity section of the appropriation structure "focuses

essentially on programmes which have a bearing on programme implementation" (para. 50), such as OPS, UNV, IAPSO and Headquarters Support to National Execution. Only UNISTAR and the consultancy services provided under DSS relate to substantive and thematic work. That being the case, the Administrator concludes that "the current presentation precludes the possibility of a coherent presentation of UNDP's substantive development activities at a programme level" (para. 51).

35. The Advisory Committee notes from paragraph 53 that the Administrator, taking into account Governing Council decision 90/34 which mandates new programming initiatives in a number of substantive and thematic areas, believes that all programme development and thematic work should be "reflected in an identifiable part of the budget for which the Administrator is separately accountable". Accordingly, he proposes that the PSDA should be expanded to include programme development and thematic activities, which "respond to global programme issues" (para. 55).

36. The Administrator describes the nature of these activities in paragraph 55, noting that "they are clearly distinguishable from both the operational support activities funded under the [core] budget and from project level activities". In this connection, he states that "PSDA would provide the incubator for new ideas to germinate and flourish; it could also, in some cases, appropriate the resources required to manage specific developmental programmes in the initial phases before appropriate mainstreaming". The Administrator elaborates on this further in paragraph 58, stating that "the relationship between projects, PSDA-funded activities and the core budget can be understood to some extent as a continuum". A developmental issue may first be identified in the specific context of a project; however when "there is a need to expose the concepts and challenges within a broader developmental context, the resources should be appropriated under the PSDA". Subsequently, "once concepts have been developed and understood, ... the support for related activities becomes integrated into the UNDP operational budget".

37. In paragraph 59, the Administrator summarizes the advantage of this approach, noting, inter alia, that it would ensure that the "operational and administrative budget does not carry activities that are clearly substantive and developmental in nature". Furthermore, "the presentation of these activities under the PSDA accurately reflects the fact that these initiatives are not part of UNDP's permanent infrastructure but relate to areas requiring innovation and development".

38. The Advisory Committee sees merit in consolidating the resources for programme support and development activities under one appropriation line; it also recognizes that this may result in a better differentiation or delineation between operational/administrative support and programme activities. At the same time, the Committee would have appreciated a more concrete definition of the type of developmental activities to be financed under PSDA; i.e. it found the descriptions somewhat theoretical in nature.

39. As discussed below, the implementation of the Administrator's proposal involves the transfer of resources from the core budget and the SPR to the PSDA budget; consequently the volume increases and decreases shown in respect

of the revised estimates in table V.1 should not be misinterpreted as pure volume changes in that they incorporate, as pointed out by the Administrator, both transfers and real volume growth/reduction (see para. 42 below). Were it not for these transfers, the Advisory Committee points out that the growth in the core budget for 1992-1993 would actually be closer to 12.5 per cent, and not the figure of 9.2 per cent quoted by the Administrator in paragraphs 3 and 91.

40. As shown in table V.1 and as summarized below, the Administrator's estimates for UNDP as a whole for 1992-1993 amount to $611,286,300, an increase of $76,556,800 as compared with his proposed revised estimates of $534,729,500 for 1990-1991:

Source of funds	1990-1991 revised estimates (DP/1991/49)	1992-1993 estimates (DP/1991/49)	Increase
	(In thousands of United States dollars)		
A. UNDP core activities	441 468.5	481 975.6	40 507.1
B. Programme support and development activities	66 817.8 a/	100 350.9 b/	33 533.1
C. Resources of trust funds	26 443.2	28 959.8	2 516.6
TOTAL	534 729.5	611 286.3	76 556.8

a/ Excludes $23,676,500 in estimated extrabudgetary income ($21,641,000 to OPS and $2,035,500 to IAPSO) - see paras. 17-19 above.

b/ Excludes $28,053,900 in estimated extrabudgetary income ($25,501,800 to OPS and $2,552,100 to IAPSO).

41. The increase of $76,556,800 for UNDP as a whole, which is attributable to a number of factors, relates to the three main components of the budget as follows:

Source of funds	Volume	Various cost adjustments	Currency adjustment	Inflation adjustment
	(In thousands of United States dollars)			
UNDP core activities	(26 289.2)	8 636.8	(184.6)	58 344.1
PSDA	22 886.7	2 155.1	721.1	7 770.2
Trust Funds	(1 028.7)	1 004.9	3.1	2 537.3
Total	(4 431.2)	11 796.8	539.6	68 651.6

42. As mentioned in paragraph 39 above and as discussed in paragraphs 92-94 of DP/1991/49, the volume changes shown above in respect of core activities and PSDA incorporate both volume increases/decreases and transfers as follows:

Source	Real volume inc./dec.	Transfer (to or from PSDA)	Total "volume" shown in table V.1
	(Millions of United States dollars)		
UNDP core activities			
- Headquarters	(13.7)	(4.8) to PSDA	
- Field	1.9	(7.5) to PSDA	
- Programme support (CGIAR & UNSO-UNEP)	-	(2.2) to PSDA	
Subtotal	(11.8)	(14.5)	(26.3)
PSDA activities			
- Programme development activities	-	4.8 From HQ core 7.5 From field core 5.9 From SPR 0.5 From global resources	18.7
- Programme support	$0.1 a/	2.2 From HQ CGIAR/ UNSO-UNEP	2.3
- Project/programme implementation	1.8 b/	-	1.8
Subtotal	1.9	20.9 (of which 14.5 from core and 6.4 from SPR/ Global)	22.8

a/ CGIAR/UNSO-UNEP.

b/ Relating to OPS ($0.6 million) and UNV ($1.2 million).

43. As shown above, the core budget reflects a real net volume decrease of $11.8 million, comprising a reduction of $13.7 million at headquarters offset by an increase of $1.9 million in field activities. The volume decrease of $13.7 million at headquarters relates to the reduction of 96 posts and consequential reductions under other objects of expenditure. In this connection, the Advisory Committee notes that "each senior manager was requested to review the implications of a 15-per-cent post reduction. The target was set in dollar terms and managers requested to analyse existing management and business practices". In other words, the need for reductions was presented "as an opportunity to rationalize, simplify and restructure ..." (para. 98).

44. As mentioned above, this reduction was considered necessary in the light of the overall stagnation of programme delivery. This is evident from table I.1 of DP/1991/49, which shows that programme delivery (project costs) in 1992-1993 reflects a growth of only 3.4 per cent over the 1990-1991 total. On the other hand, the growth in the core budget (headquarters and field combined) is nearly 10 per cent.

45. The Advisory Committee is gratified that the Administrator has acknowledged the necessity of a volume reduction and it appreciates his candour in this regard. On the other hand, on the basis of the information contained in the document and provided to it, the Committee is of the view that the response of the Administrator does not take into account fully the seriousness of the situation especially when the Committee notes that, nothwithstanding the reductions being proposed, the Administrator states that "this is without prejudice to further consideration of UNDP management requirements resulting from the management consultants' report on the senior management structure." (para. 13).

46. A summary of the proposed post reductions as well as reclassifications by major unit and grade of post is contained in table V.3 of DP/1991/47. As shown therein, a grand total of 116 reductions are proposed; these include the above-mentioned 96 reductions as well as 20 transfers to PSDA (all of which are from TCDC and BPPE (11 Professional and above including 3 D-2s, and 9 General Service).

47. The Professional reclassifications (established core posts) proposed by the Administrator can be summarized as follows:

DOP: 3 P-4 to P-5

DER: 1 P-5 to D-1

RBASE: 1 P-5 to D-1, 1 P-4 to P-5

PCO: 1 P-5 to P-3

BPPE: 1 G-7 to P-2

In addition, 10 General Service posts are proposed for reclassifications to the G-6 level under various units.

48. The Administrator highlights some of the principal reductions/reclassifications/transfers in paragraph 102, including the restructuring of the Bureau for Programme Policy and Evaluation, which relates to his proposal regarding the use of the PSDA to fund developmental and thematic ideas (see paras. 60-64 below). As explained in paragraph 103, the restructuring will lead to the creation of a Programme Support Division, comprising four clusters of activity. In this connection, the Administrator states that "the restructuring proposals ... are to some extent consistent with the recommendations of the management consultants' report on the senior management structure." (para. 104).

49. The Administrator also proposes to restructure the Division of Personnel into four sections: Staffing, Training, Conditions of Service and Personnel Systems, and Administration, each of which would be headed by a D-1. This proposal also includes the reclassification of three budgetary and one extrabudgetary post to the P-5 level and three extrabudgetary posts to the P-4 level (paras. 115-116).

50. In the opinion of the Advisory Committee, the justifications provided in volume I and/or volume II for the above reclassifications are, in most instances, insufficient. Although the reclassifications may not affect the staffing pyramid due to corresponding staff reductions, a more detailed justification of each proposal is still required.

51. In paragraphs 110-114, the Administrator discusses his proposals regarding the provision of administrative services at Geneva; he proposes to centralize the administrative service function with UNV. The implementation of this proposal, which the Advisory Committee endorses, would result in a savings of about $1.7 million to the UNDP core budget as outlined in paragraph 113; as discussed below, the proposal would also generate net savings to the UNV budget.

52. The Administrator discusses computer strategy in paragraphs 118 to 126; as noted therein, only a maintenance level of funding has been included in the 1992-1993 estimates for IAS; however, "a revised submission for funding may have to be submitted to the Council in 1992 in the context of the revised budget estimates for 1992-1993 if necessary and appropriate" (para. 125).

53. As mentioned above, the estimates for core field activities include a real volume increase of $1.9 million. In this connection, the Administrator states that he "has not applied the policy of budget reductions to the field network" in view of the "priority attached to maintaining the strength of UNDP's field infrastructure" (para. 14). In addition, he believes that it is premature to judge the full impact of the added responsibilities to be assumed by the field offices as a result of the above-mentioned process of decentralization. While he trusts that "the additional workload will be kept to a minimum", or even reduced; nevertheless "it would be premature to judge the full impact". Accordingly, the Administrator proposes a policy of "severe restraint in the field" (ibid.).

54. The volume increase of $1.9 million for the field relates, in part, to the net increase of 43 posts as shown in table V.5, details of which are provided in paragraphs 128-134 of the Administrator's report. In this connection, the Administrator emphasizes that his proposals take into account that the field offices have been strengthened over the last two biennia; therefore, with the exception of Europe, the estimates reflect the above-mentioned restrictive policy and relate "to field offices with very specific needs", associated, in most cases with "a substantial increase in IPF resources in the fifth cycle".

55. Of the total volume increase in the field, $1 million relates to training requirements. In this connection, the Advisory Committee notes from paragraph 140 that "the total training budget at 1992-1993 prices will amount to $7.9 million", and that "the direction provided by Governing Council decision 90/34, together with the need for staff retraining in conjunction with the budget reductions provides the background and rationale for this proposal".

56. The Administrator raises another issue regarding the field office budget in paragraphs 61-64 of his report; namely the delineation of IPF-related and other field office activities. In this connection, the Administrator states that "for the last decade statistics have consistently indicated that approximately 45 per cent of the activities of field offices do not relate to the delivery of the IPF programme" (para. 62). At the same time, he notes that

> "extrabudgetary activities financed through UNDP are self financing and field offices are compensated for the workload generated. The large percentage of time spent by field offices on non-IPF-related activity does not therefore represent a subsidy from core to extrabudgetary activity but is inherent in the profile and functions of field offices throughout the world. Indeed, this 45 per cent, including the tasks that devolve on the function of Resident Coordinator, are one of the great strengths and represent one of the most valuable assets of the UNDP field office network." (ibid.).

57. The Administrator also states that because the field office network is part of the UNDP operational and administrative budget, "the efficiency of UNDP operations is regularly measured by comparing, inter alia, the cost of the field office network to IPF programme delivery". In the Administrator's opinion, the Advisory Committee and the Governing Council should reconsider the presentation of the field budget and, in this connection, he suggests that one option would be "to discount by 45 per cent the field-related budgetary expenditures and to show this instead as PSDA". While stopping short of recommending this option, the Administrator does propose to transfer the cost of 27 international economist posts in the field to the PSDA budget (see para. 66 below).

58. The Advisory Committee does not believe that sufficient information has been provided for it to reconsider the presentation of the field budget or to

comment on the options mentioned by the Administrator. In the opinion of the Advisory Committee, the Administrator should, if he believes that a change is called for, present specific options, analysing the advantages and disadvantages of each one.

Programme support and development activities (PSDA)

59. Volume growth under PSDA activities totals $22.8 million; however, as shown in paragraph 42 above and as discussed by the Administrator, true volume increase totals $1.9 million and relates to OPS, UNV, and UNCGIAR. The balance of $20.9 million represents transfers to PSDA ($14.5 million from the core budget and $6.4 million from Special Programme Resources and Global resources); as discussed above, this would consolidate programme support and development activities under one appropriation line.

60. The effect of this transfer means that a number of posts, both at Headquarters and in the field, hitherto funded from either the core, SPR or Global resources will now be funded from PSDA. As discussed in paragraph 150, and as shown in table VI.4, there are currently 45 (Professional level and above) development activity posts at headquarters relating to a variety of thematic areas, which, from an organizational point of view fall under BPPE or TCDC/INRES units. Of the 45 posts, 29 are currently funded from the core budget, 2 from the current PSA appropriation line, 14 from SPR and 1 from Global resources.

61. The Advisory Committee notes that the total number of headquarters development activity posts (Professional level and above) proposed for 1992-1993 under both core and PSDA funding amounts to 44; the reduction of one post reflects the abolition of one post in the TCDC unit under the above-mentioned staff reductions. As shown in table VI.4, the Administrator proposes that 16 of the 44 posts be funded from core resources in 1992-1993; the balance of 28 would be financed from PSDA.

62. In this connection, the Administrator explains that the posts to be funded from the core budget "represent areas where there is a need for an ongoing appraisal and formulation capacity" (para. 150). Reference is also made to this in paragraph 54 (a) where the Administrator states that the operational and administrative support services provided under the core budget include "the core activities performed by the Regional Bureaux and by the proposed Programme Support and Development Division, BPPE, whose formulation, appraisal, technical advisory and technical liaison work with the specialized agencies would represent an integral and permanent part of UNDP activities".

63. On the other hand, the Administrator explains that the 28 PSDA-funded posts "relate to areas where UNDP is currently committed to developmental work and where this commitment requires separate funding arrangements at this time" (para. 150).

64. A breakdown of the 44 posts by grade and thematic area is provided in table VI.5. In this connection, the Administrator states in paragraph 151

that "there is a real increase of one D-2 post under PSDA. This is because the D-2 core post borrowed from Geneva for the Division for Private Sector during 1990-1991 reverts to Geneva in 1992-1993" (para. 151). Consequently, the current total of 45 Professional and above development activity posts would actually decrease to 43 (1 post abolished in TCDC and 1 post returned to Geneva) were it not for the proposed increase of one D-2 post.

65. The Advisory Committee recommends against the establishment of another D-2 at this time, believing that any proposal in this regard should be done in the context of the Administrator's proposal regarding the Division Chiefs and other D-2s (see paras. 9-11 above) about which the Advisory Committee will submit its recommendations to the Governing Council.

66. As shown in paragraph 42 above, the transfer of $20.9 million to PSDA includes $7.5 million from the core field budget. This amount relates to the Administrator's proposal to transfer "that portion of the cost of aid coordination separately identifiable in the form of international economist posts in the field" to the PSDA budget (para. 64 of DP/1991/49) (see para. 57 above).

67. As also shown in paragraph 42 above, a volume increase of $1.8 million is shown under the project/programme implementation component of PSDA; this relates to OPS ($0.6 million) and UNV ($1.2 million). In this connection, the Advisory Committee notes from paragraph 152 that "the volume adjustment in 1992-1993 against the 1990-1991 estimates reflects the fact that volume increases were included in the revised 1990-1991 estimates in regard to 1991 only. In view of the biennial structure of these estimates, this volume increase appears again in 1992."

68. The Administrator discusses the posts of Director of OPS and Deputy Director in paragraph 153, concluding that these posts, which were approved on a temporary basis at the Assistant Administrator level and D-2 level respectively by Governing Council decision 90/45, should be maintained at those levels.

69. As noted above, the Advisory Committee has expressed a number of concerns with regard to OPS in recent years; in particular it has cautioned "against continued expansion of OPS without adequate consultations with executing agencies and governments to ensure coordination and cooperation rather than possible duplication and conflict" (DP/1989/56, para. 43).

70. The Advisory Committee notes the consultants' view that the growth of OPS "touches on the basis of the United Nations system of technical assistance" and that "the overall functions and shape of OPS could only be solved in the context of a new Capacity Study of the United Nations system. However, the basic question remains whether OPS in its current size and function is an integral component of UNDP and what specifically the role of OPS should be." The consultants add that there is a need for a clarification at the highest United Nations level and that unless basic policy decisions are made it could well be the case that UNDP keeps increasing without ever having its role clearly spelled out.

71. The 1992-1993 estimates for UNV, which include a real volume increase of $1.2 million, are discussed in paragraphs 154-156 of DP/1991/49. As noted in paragraph 51 above, the Administrator proposes to centralize the administrative service function in Geneva with UNV; to do so, he proposes to establish two new General Service posts for the reasons provided in paragraph 154. He also proposes to transfer to UNV, as a temporary post, the administrative officer post "previously financed from UNV's reimbursement to the Geneva Office", for a period of up to a maximum of two years in order to ensure a smooth transition of the functions previously undertaken by the Geneva Office. As mentioned above, the Advisory Committee sees merit in this proposal.

72. The Administrator's estimates for UNV also take into account the Administrator's proposal in paragraph 156 that the "costs associated with the development of a field presence of a particular programme should be a charge to the appropriation line to which the costs of that programme are charged". Failure to do so vis-à-vis the recurrent operating costs related to UNV Programme Officers has, in the opinion of the Administrator, "resulted in the core budget subsidizing UNV". Accordingly, the Administrator proproses a reimbursement mechanism fixed at 10 per cent of the $3.1 million appropriation for UNV Programme Officers, i.e. $310,000. As indicated in volume II, this amount is included in the total cost increase of $0.6 million (rounded).

73. The Administrator's proposals regarding IAPSO are outlined in paragraphs 157-158. Although no additional posts are proposed vis-à-vis the core staffing table, the Administrator plans to finance an additional 7 extrabudgetary posts (4 Professional and 3 General Service); other posts may be established "if the income projections of IAPSO are realized" (para. 158).

Trust funds

74. As explained in paragraph 66 of DP/1991/49, "within its appropriation structure, UNDP includes distinct appropriations for the resources of certain trust funds administered by UNDP"; at present this includes UNCDF, UNRFNRE/UNFSTD, UNSO, and UNIFEM. The Administrator goes on to note that the budget of each fund which is reviewed and approved by the Governing Council "relates to its operational and adinistrative activities or, in a certain sense, to its core budget". However, certain funds perform certain technical or programme support or implementation activities which "represent a specific claim against the resources of each trust fund and are financed through the use of a technical support budget" (para. 67) which finances technically specialized personnel funded from programme resources.

75. Governing Council decision 90/45 requested the Administrator "to address the policies regarding the apportionment of administrative costs to the technical support budgets"; in this connection the Administrator states that "expenditures under the technical support budget will be clearly identified in the financial statements for each trust fund by a line-item of expenditure entitled 'technical support costs'" (para. 70). Secondly, the tables for each fund in volume II will clearly show the posts involved and the total cost of

the technical support budget; in addition, "the nature of the general operating expenditures apportioned to the technical support budgets will be defined to include the staff costs plus certain items of expenditure associated with the technical work performed" (ibid.). As can be seen in table III.3 of DP/1991/49, the proposed 1992-1993 technical support budgets (those for UNCDF, UNIFEM, and UNRFNRE) amount to $5.9 million and provide for 23 staff (11 for UNCDF, 6 for UNIFEM and 6 for UNRFNRE).

76. The Administrator discusses the 1992-1993 estimates for the funds included under the trust fund section of the appropriation in paragraphs 164-166 of his report; in this connection, he notes that "post reductions applied to the headquarters core budget of UNDP were not applied to trust funds"; on the other hand, a projected increase in resources did not automatically give rise to staffing increases. The Advisory Committee also notes that the "Administrator carefully evaluated the staffing requirements of each fund in the context of the analysis and recommendations of the external consultants" and decided to "freeze all new staffing proposals for UNCDF, UNSO, and UNRFNRE/UNFSTD pending further consideration of the issues raised regarding the management and staffing levels of the trust funds" (para. 165). The Administrator has excluded UNIFEM from this decision; as noted, 2 additional posts are being proposed for UNIFEM (1 P-4 and 1 GS). The Advisory Committee also notes from volume II that an additional temporary technical support General Service post is proposed for UNIFEM as well as 1 extrabudgetary Professional post.

77. With regard to UNCDF, the Administrator is proposing 3 reclassifications (1 G-5 to G-6, 1 G-7 to P-3 and 1 P-4 to P-5). A reclassification (P-4 to P-5) is also proposed for UNSO.

78. In view of the justification provided to the Committee, it does not object to the increased staffing proposed for UNIFEM. However, it questions the Administrator's general decision not to apply post reductions to trust funds, particularly in view of the management consultants' statement that non-core and funds staff should be even more critically analysed vis-à-vis the streamlining of staff and that the greatest potential for streamlining can be found within the non-core units. Nothwithstanding the Administrator's above-mentioned statement regarding the freezing of new post requests, the Advisory Committee believes that some reductions would have been possible.

79. The Committee's comments with regard to reclassifications in the core budget are equally applicable to the above-mentioned reclassifications.

80. In considering the trust funds, the Advisory Committee noted that no information is provided vis-à-vis the project delivery attained in a given year. The Advisory Committee believes that such information would be useful in that it would permit the Governing Council to see the relation between the delivery and the size of the administrative budget. For example, upon inquiry, the Advisory Committee was informed that the programme delivery of UNCDF in 1990 amounted to $33.4 million; the administrative budget for 1990-1991 amounted to $9.8 million.

81. The Administrator's budget estimates also include the Administrator's report on Development Support Services (paras. 167-174). The Advisory Committee notes that the Administrator proposes to maintain the DSS facility in real terms for 1992-1993. The Advisory Committee trusts that every effort will be made to establish and maintain close functional coordination between the activities carried out under DSS and those under PSDA.

Field office cost recovery

82. As requested by Governing Council decision 89/59, the Administrator has also included a report on field office cost recovery (paras. 175-193). In paragraph 189, the Administrator states that the "principles and policies determining reimbursement to UNDP field offices are firmly established" and that "by and large ... the extrabudgetary mechanism is working satisfactorily". However, an exception to this statement, in the Administrator's opinion, relates to funds administered by UNDP itself. In this connection, he notes that "a clear distinction is required between activities funded from the IPF and which the field office supports as an integral part of its mandate and programmes that are funded from outside the general resources of UNDP". In the opinion of the Administrator, "the need for a common practice ... [with regard to programmes funded from outside the general resources of UNDP], ... will be given further consideration in the context of ... proposals relating to the future organizational arrangements of the trust funds".

83. The Administrator also believes that a distinction is needed "between programme activity and the costs associated with the development of a separate field presence by the concerned fund or programme" (para. 190). In this connection, as noted above, the Administrator proposes that UNV reimburse the field offices for the costs related with UNV programme officers in the field. He also notes that a common practice should be developed for all trust funds; he therefore proposes to submit proposals to the Governing Council after further review. In so stating, he notes that the overall principle to be reflected is "that the costs associated with the field presence of a programme or trust fund should be a charge to the appropriation line relating to that programme or trust fund" (para. 192).

84. The Administrator's report on field office cost reimbursement also discusses the question of reimbursement of services provided by UNDP field offices to other United Nations bodies (paras. 180-182). In this connection, the Administrator states that while the workload study in 1990 indicated that "at least 20 per cent of field time has been spent on providing support to other United Nations organizations", the field offices were reimbursed globally for 0.2 per cent of the cost of the UNDP field office network (para. 182). While not proposing new policies since he believes the current arrangements benefit the United Nations operational system as a whole, the Administrator believes that "this reality should be reflected in the presentation of the field office budget" (ibid.); this point dovetails with his discussion regarding the proportion of field office time spent on non-IPF-related work (see paras. 56-57 above).